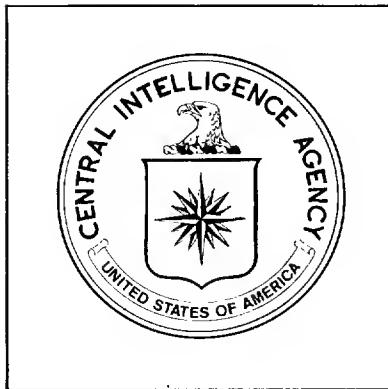


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## STAFF NOTES:

# Latin American Trends

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## LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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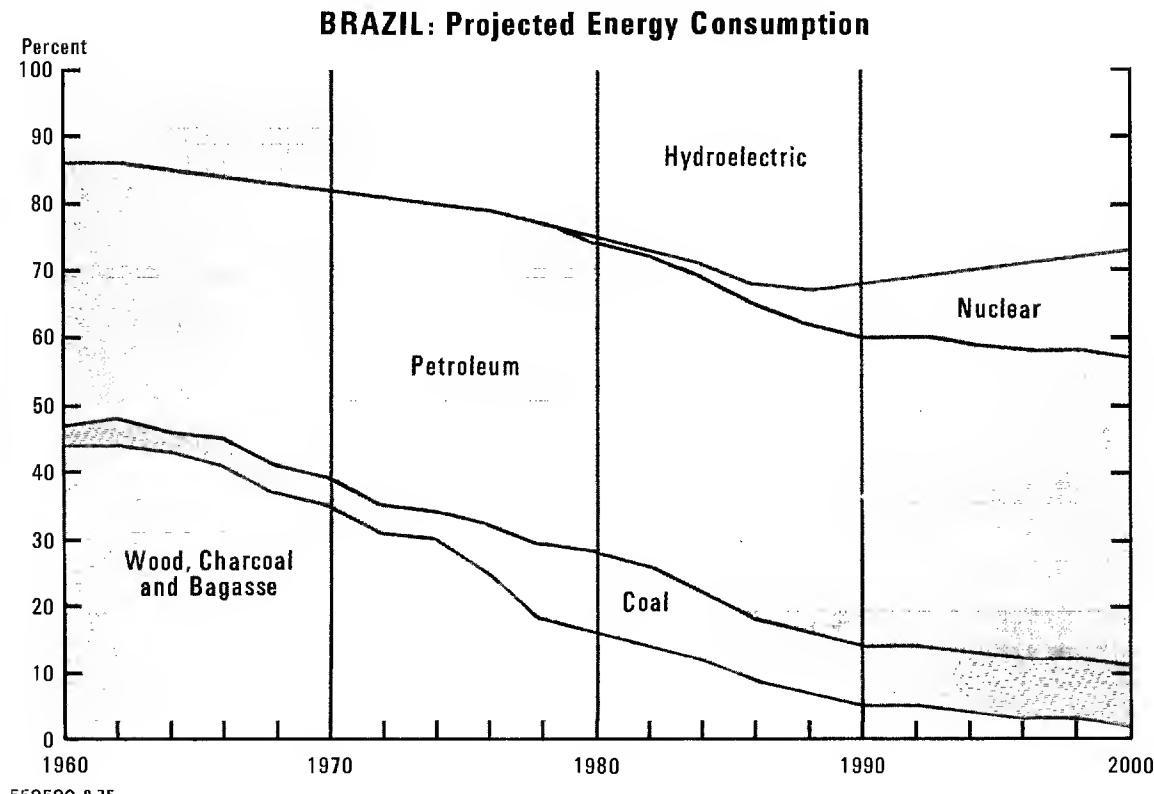
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Brazil: Evolving Energy Policy

Despite stepped up oil exploration since 1973, Brazil has made little progress in reducing its dependence on imported petroleum. Because of the limited scope of new oil finds, the long lead time required to develop them, and the lack of alternative



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energy sources, Brazil will remain a large oil importer through at least 1980. This prospect is putting heavy pressure on the Geisel administration to take the highly controversial step of bringing in foreign companies to beef up the oil search.

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Petroleum

143 Petroleum meets nearly half of Brazilian energy requirements. About 80 percent of petroleum supplies are imported, at an annual cost of about \$3 billion--an outlay that has contributed heavily to recent balance-of-payments deficits. To reduce dependence on imports, Brasilia has more than doubled expenditures on oil exploration since 1973.

Petrobras, the state oil monopoly, increased the number of exploratory wells drilled from 79 in 1973 to 132 in 1974 and will further expand drilling this year. Exploration is most active on the continental shelf, where 19 drilling rigs now are working.

143 Petrobras has additional rigs on order and plans to expand its offshore exploration by 50 percent next year. It is also exploring the Amazon region, particularly in areas near the Peruvian border.

3 During the past two years, important strikes have been made off the coast of Rio de Janeiro and off several northeastern states. A strike last May near the city of Manaus also points to the possibility of substantial oil deposits in the Amazon region. Although official estimates are still carried at less than 800 million barrels, Petrobras now feels that recent exploration has established proved reserves of about 2 billion barrels.

These discoveries should enable domestic oil production to cover most of the growth in oil consumption through 1980 but will not reduce import requirements. Despite declining output from older fields, total domestic production is expected to reach 400,000-500,000 barrels per day in 1980, compared with the current 180,000 barrels per day. At the same time, consumption will rise to an estimated 1.2 million barrels per day in 1980, compared with 850,000 barrels per day in 1975.

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1,2  
Faced with a continuing petroleum deficit, President Geisel is convinced that foreign oil companies must be brought in to help find and develop new fields. Opposition to such a move is strong because of fears that it would weaken the state oil monopoly, a focal point for Brazilian nationalism. Although the Geisel administration has been reluctant to move thus far, the growing pressure from costly oil imports may soon force action.

#### Hydroelectric Power

2,3  
Over the next several years, hydroelectric power will play an important role in limiting the rise in requirements for imported oil. Brasilia has been developing this resource rapidly for many years, and current plans call for hydroelectric capacity to expand from the present 16 million kilowatts to 40 million kilowatts by 1985. At normal utilization rates these facilities will provide the equivalent of 930,000 barrels per day of oil in 1985, compared with 370,000 barrels per day at present. Because nearly all easily accessible hydropower sites should be developed by 1985, subsequent electric power expansion will depend mainly on thermal power sources.

#### Coal and Shale

1,4  
The energy crunch has induced Brasilia to take a second look at its large but poor-quality coal deposits. Now dependent on imports for nearly half of coal consumption requirements, Brazil is searching for new technologies to permit greater use of domestic coal for power generation. It also plans to tap its large oil shale reserves; completion of a 50,000 barrels per day shale oil plant is targeted for 1980.

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Nuclear Energy

Over the longer term, Brasilia is relying on development of nuclear energy to contain dependence on foreign energy sources. Its first nuclear power station, which will have a 3.2 billion kilowatt capacity, is scheduled for completion in the early 1980s. The United States will supply enriched uranium for the plant's first 626,000 kilowatt reactor, scheduled for operation in 1978. While known uranium reserves are small, Brasilia hopes that increased exploration and imported technology will enable it to establish an independent nuclear industry during the 1980s. To this end, it recently signed an agreement with West Germany to obtain assistance in power plant construction, uranium mining and enrichment, fuel fabrication, and fuel reprocessing. Plans now call for a 10 million kilowatt nuclear capacity by 1990 and perhaps as much as 80 million kilowatts by the end of the century.

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Panama: Students; Violence Factor in the Treaty Equation

Students are a significant force on the Panamanian political scene, the most striking example being the student-incited rioting in 1964 that led to days of fighting, a break in relations between the US and Panama, and dead and wounded on both sides. Those riots and the martyrs they produced remain an emotional pegpoint for Panamanian nationalism focused on recovery of the Canal Zone.

Over the last eighteen months of treaty talks, Panamanian strongman Torrijos has frequently cited the possibility of a popular explosion if a satisfactory treaty is not concluded. For all practical purposes, he is talking about the students, who represent a volatile and not entirely predictable factor. Nevertheless, the government and National Guard have displayed a convincing ability to manipulate the student groups directly under their control and to contain and take advantage of the more violence-prone ultraradicals who are in opposition to the government's stand in the treaty talks. The government now is conducting a propaganda campaign to isolate these ultraradicals and cast them as the unknowing tools of the oligarchy--a line that will stand Torrijos in good stead if he has to use force to keep them in line.

The largest university student group, the FEP (Panamanian Student Federation) is responsive to government direction. Although Panama's communist party has traditionally dominated university politics, the government promoted a split between the party and its youth wing in 1974, supporting and funding the dissidents. That dissident faction--known as the Fraccion--exercises control over the FEP.

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The FEP's chief rival--and a cause of concern to the government--is the Revolutionary Student Front (FER), which is numerically small but whose shrill, ultraradical, antigovernment and anti-US sloganeering has sparked recent demonstrations. Many of the university groups have chapters in the secondary schools, which swell the ranks of the larger demonstrations. The FER, for example not only predominates at the Instituto Nacional, Panama's largest secondary school, but this radical wellspring is in fact its primary source of strength.

The government's responsiveness to the student sector has been repeatedly demonstrated. In May, FER-led students demonstrating over poor school maintenance and conditions not only prompted the minister of education to meet with them outside the ministry, but they forced him to walk back to the school in the rain to inspect the facilities personally. Torrijos first leaked details of the current treaty negotiation rounds during a general meeting with students earlier this year, and student clamor helped push him into declaring a policy of open negotiations. In September, this led the government to release most of the previously secret details of the negotiating positions of both sides.

1,3 The students, principally the FER, have also carried out violent demonstrations. The National Guard, however, monitors student activities closely, and can be presumed to have advance knowledge of student plans. Despite some recent reports of misgivings in the Guard concerning the extent of its control, the government probably still judges it can manipulate students to its own ends rather than vice versa.

The Guard has frequently demonstrated in the past that when it wants to, it can control and manipulate student demonstrators. In August of 1974, some 500 FER-led students stoned the US Embassy during the "banana war," protesting against United Brands. Guard troops

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were not in evidence. A month later, students again took to the streets, despite government warnings, to protest on the anniversary of Allende's overthrow. The FER again played a prominent role. This time, National Guard troops in full battle dress around the embassy and at intersections for a three-block radius kept the demonstrators at a distance. During the stoning of the US embassy on September 23--a demonstration again spearheaded by the FER--a small Guard force was present but did not interfere with the stoning until all windows in the building were broken. Then the demonstrators were dispersed with teargas. In contrast to earlier successfully controlled demonstrations, there was no liaison with the embassy.

In the wake of that demonstration, the government-controlled FEP and other student organizations joined almost all the domestic media in characterizing the stoning as the action of a minority manipulated by the old oligarchy, a minority which they said was undermining the revolution and playing into the hands of US provocateurs.

11/2 The government apparently is not above more direct use of students as well. Earlier this year FEP students overran and vandalized an antigovernment broadcasting station, apparently as a warning to administration critics.

11/4 It is clear that some of the "pressures" Torrijos cites are of his own making or under his control to a greater degree than he would have US authorities believe. There are, of course, real dangers in such tinderbox tactics in dealing with students keenly aware of their potential clout. Torrijos has often said that if the "explosion" comes, the Guard will have to smash the rebellion or lead it--and he has categorically stated he

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will not smash it. In the event of unforeseen violence, he could become a prisoner of his public rhetoric. Torrijos probably also is genuinely reluctant to see Panamanian Guardsmen use violence to control Panamanian students. During a recent demonstration in Colon, Guardsmen were dispatched without arms in an effort to avoid provocation and bloodshed. The students ignored a Guard order to disband and even briefly crossed into the Canal Zone. Such successful defiance of the Guard could easily whet the appetites of radical students.

However, there are sobering considerations which ought to restrain Torrijos in dealing with the students. The radicals among them deride his administration as a "caricature of a revolution" and charge he has sold out to the US. If the students get out of control, Torrijos could suddenly find himself in the unaccustomed position of being a major target of their protests. Under present conditions the students serve his purposes in pressuring the US to agree to Panamanian terms for a treaty and so secure Torrijos' place in history. Should uncontrolled violence erupt and indefinitely postpone the talks, it would frustrate Torrijos' ambition to succeed where all his predecessors have failed.

As long as Torrijos feels he has even some chance of securing an acceptable treaty, therefore, he is likely to do all he can to keep a firm grip on his tiger's tail. He has a successful record to date and, as far as can be seen, the means to continue it. (SECRET/NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Brazil: Keeping The Faith

1, 3, 4 Brazil's two political parties have reaffirmed their intention to participate actively in next year's municipal elections despite the tougher stance recently adopted by President Geisel in opposition to further political liberalization. Although national conventions held by the parties on September 20-21 contrasted sharply in mood, both ended on notes of unity and optimism.

1, 4 The government party, the National Renewal Alliance, is obviously striving to project a more progressive image. The convention created departments for youth and women's affairs, and elected a 37-year-old federal deputy, with links to youth and liberal sectors, to a high party post. The new party chief, Francelino Pereira, is not a newcomer, but he apparently brings a fresh outlook combined with proven vote-getting ability to the job.

2, 4 President Geisel himself gave a pep talk to the convention. He addressed the party as the government's permanent partner, playing up the important electoral advantages it enjoys through its association with his administration and urging it to get out the vote. Geisel also appeared to be calling on the party to take a more active policy role, a tack some observers see as an attempt to make the National Renewal Alliance more of a buffer between the government and public opinion.

3, 4 Although the opposition Brazilian Democratic Movement appears stronger as the result of its gains in the November 1974 congressional elections, there are signs of growing internal friction between the small radical "authentic" faction and the more traditional majority. During the convention the "authentic" members managed to increase their influence within leadership circles

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by proposing alternative candidates and threatening to boycott party elections if their demands were not met. Ulysses Guimaraes, who was re-elected party chief, attempted to smooth over ideological differences by characterizing the organization as the "front of all those who are working for the return of democracy to Brazil."

314 For the present the Brazilian Democratic Movement appears inclined to submerge its internal problems and concentrate on next year's elections. Some of the younger members, however, are in an increasingly radical mood as a consequence of frustration over the party's inability to convert past electoral successes into effective political actions. (CONFIDENTIAL)



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Argentina: Another Look At Presidential Finances

2  
Political enemies of President Maria Estela Peron are continuing efforts to investigate the past financial dealings of her administration.

1, 2  
Radical Party senators have been unable to launch a special commission (see Latin American Trends, September 10, 1975), but the congressional committee reviewing the issue is currently dominated by non-Peronists and its chairman--a leading Radical spokesman --has announced his intention to press forward.

1, 2  
Meanwhile, the influential newspaper La Opinion published a full-page article on September 21 devoted to the private Peronist welfare agency that was the source of funds used by President Peron to satisfy obligations to other heirs of her late husband's estate. According to the article, the agency--run by President Peron, former social welfare minister Jose Lopez Rega, and their close associates--failed to meet most of the legal requirements for private foundations, including the publication of quarterly reports, minutes of board meetings, and disclosure of sources of funds and disbursements. The article further suggests that this agency received virtually all its funds from "discretionary" accounts of the Social Welfare Ministry. It is already known that during his tenure, Lopez Rega controlled the largest share of the federal budget--including 26 "discretionary" accounts whose incomes and expenditures were not subject to public audit.

1, 2  
The military also has voiced concern over corruption. During a recent memorial service for an army colonel who had been assassinated by terrorists, an army chaplain denounced the "festival of corruption" and stated that Argentina now lacks "any moral models."

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14 2 Despite continuing efforts by Peron's supporters to forestall the opposition, the Radical Party seems determined to conduct a thorough probe. According to US Embassy sources, there are unconfirmed reports that Acting President Luder will back the Senate investigation if President Peron attempts to undercut him on her return from vacation. (CONFIDENTIAL)



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Inter-American Focus on Labor

Latin American governments and trade union organizations are separately preparing inter-American conferences on labor problems. Their differing points of concern highlight the change in private and official roles in hemispheric labor matters in recent years. Labor federations, once a major political pressure group and revolutionary force in much of Latin America, have been losing dynamism and governments have recognized the political advantage of taking an interest in social issues.

Latin American labor federation leaders are trying to decide whether the long ineffective inter-American labor organization, ORIT, is badly ailing or dead. Agreement is broad that "restructuring" of the regional labor umbrella is essential, but particular issues and clashing personalities seriously divide the affiliates. ORIT's parent organization, the International Confederation of Free Trade Unions (ICFTU), had tried for some time to dictate a settlement to the faction-ridden Latins, but Latin insistence on autonomy finally made ICFTU leaders back off. ICFTU is annoyed by the anomalies presented by inter-American labor: for example, US labor, the AFL-CIO, is part of ORIT but not affiliated with ICFTU; Argentine labor participates in ICFTU and not in ORIT.

Recent talks between Latin and US labor representatives seem to have turned the Latins, especially the Venezuelans, away from the idea of a Latin-only labor central. Most now agree that US representation--accompanied by financial support--is desirable. This majority includes Argentine labor, which, however, has traditionally denigrated ORIT as subservient to the US. For the Argentines to join a hemispheric labor organization, a change of name and leadership will be a minimum requirement.

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Latin labor leaders will meet in Mexico October 11-12 and ORIT's executive board will confer on the 13th and 14th. Labor representatives hope that these conferences will formulate recommendations for a revised inter-American organization for presentation to the eleventh World Congress of the ICFTU in Mexico scheduled for October 17-25.

4  
5 While Latin labor leaders are mired in these organizational difficulties, their governments are preparing for the fifth Inter-American Conference of Labor Ministers, an OAS conference to be held in Guatemala November 21-28. Their more substantive agenda includes employment policy, operation of the labor market, technology and employment, and a roundtable on transnational enterprises: their effect on labor relations and the role of the ministries of labor. The Mexican delegation is expected to present a paper on the treatment of migrant labor working abroad. This topic, especially the problems of undocumented migrant workers, has potential for emerging as another contentious issue in broad international forums. The problem is a sensitive one in various bilateral relationships in the hemisphere--between the US and Mexico, Honduras and El Salvador, and Colombia and Venezuela among others. (CONFIDENTIAL)

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OLADE: Doubtful Prospects

The 15-member Latin American Energy Organization (OLADE) recently concluded its sixth ministerial meeting without reaching any decision on the two most important matters facing the conference--creation of a Latin American energy market and a mechanism to finance its activities. There was general agreement that OLADE is ineffective, but none whatever on any specific plan of action to remedy this defect. Less than half the member nations bothered to send their energy ministers and this evidence of the half-hearted support given the organization raised open doubt that it would ever go much beyond the talking stage.

The lack of progress stems from an inability to reconcile the conflicting interests of the oil importing and oil exporting nations of the region, and more important, to decide who is going to finance the organization. Venezuela, attending as an observer, was understandably wary that its image as a rich oil-exporting nation was going to cause it problems. As a result, the Venezuelan delegation resolutely refused to be drawn into the role of becoming OLADE's principal benefactor.

The Perez government doubts that the organization's goals coincide with its own hemisphere objections and believes that OLADE is not worth the effort and expense. Consequently, it has dragged its feet on joining, although OLADE was the brain child of a former Venezuelan president, Rafael Caldera. Perez has specifically objected not only to the size of the budget--that would be prorated among the members, with Venezuelan paying more than 50 percent of the total--but also to the overly ambitious and unrealistic projects. [REDACTED]

[REDACTED] Perez indicated earlier this year that he would continue to withhold support until the

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organization is "scaled down" to meet Caracas' specifications. (See Trends, February 26, 1975). The results of the recent ministerial meeting in Mexico City are not likely to change his opinion.

The major accomplishments were the election of Carlos Miranda of Bolivia as permanent secretary and the choice of Quito as its headquarters. A four-point "plan of action" issued at the conclusion of the meeting was notably unspecific. The next ministerial meeting will be held in Costa Rica next May. (SECRET/NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Venezuela: Iron Miners Form Single Union

1, 2 The government has backed the formation of a single trade union to represent the iron miners in an effort to ensure a measure of labor peace in an industry that has been plagued by wildcat strikes this year. The new union, SUTRAHIERRO, replaces seven small unions and includes all former employees of the Orinoco Mining Company and Iron Mines Company who are now employed by the government-owned Guayana Development Corporation.

1, 2 Elections for union officers will be held on October 30. The importance of these elections far outweighs the union's potential three or four thousand members. The metals industry looms large in President Perez' economic development plans, and government leaders are eager to prove that Venezuela can run a large nationalized industry efficiently and without interruption in production. Consequently, Perez' Democratic Action Party (AD) is making an all-out effort to win these elections against long odds. Besides AD, all other major political parties are throwing considerable resources and effort into making a good showing. The marxist Movement Towards Socialism (MAS), in particular, is encouraged by evidence of strong support among the workers as well as by Perez' threat earlier this year to use military forces to end the wildcat strikes. Realizing that it is in a weak position among the workers at present, AD has been trying to postpone these elections as long as possible in the hope that the hard feelings would die down. Now, with the deadline for petroleum nationalization coming up and the prospect of similar labor problems among the petroleum workers, AD apparently believes it has no choice but to try to sew up the iron mines as soon as possible. If AD loses the elections, then the government will have to brace for a renewal of labor strife. The new union leaders' first order of business will be the renegotiation of working contracts. (CONFIDENTIAL)

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Venezuela: Fiscal Impact of Production Decline

1 Caracas is beginning to run into budget problems as a result of reduced oil production and revenues. Oil production this year is likely to be 20 percent below the 1974 level; another 8 percent drop, to 2.2 barrels per day, is planned for 1976. Reflecting the drop in oil revenues, the Perez government next month will present a budget bill to Congress that calls for a 16 percent cut in expenditures in 1976.

2 The impact of the cutback will fall mainly on the Venezuelan Investment Fund, established in 1974 as a means of channeling surplus oil revenues into economic diversification projects and foreign aid. Allocations to the Fund were cut to \$1.7 billion in 1975, from \$3 billion in its initial year. The 1976 budget bill allocates no money to the Fund; other government expenditures will continue at about the 1975 level.

1 Because of emerging financial constraints, Caracas will be more cautious in making new foreign aid commitments and will have to establish priorities on its ambitious development plans. It had originally planned to spend about \$10 billion on domestic development projects in 1975-79. Investment in the petroleum and iron and steel industries undoubtedly will continue to receive the highest priority; financing of other projects, such as construction of a merchant fleet, a railroad, and a pulp and paper mill, may be delayed. (CONFIDENTIAL)

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Venezuela/Guyana: Perez and Burnham Meet

3 Guyanese Prime Minister Forbes Burnham's meeting with President Carlos Andres Perez on September 20-22 was a largely symbolic gesture emphasizing the cordial relations now existing between the two countries.

1,3 No formal agenda was prepared and the meeting was "open-ended" to allow the two leaders to get acquainted and to see how they hit it off. A brief communique issued at the end of the visit avoided specifics and stated only that the two leaders "had studied ways" to intensify cooperation. Perez agreed to visit Guyana, but no date was set. For Burnham the meeting was a chance to explore the possibility of further economic and political cooperation with a rich and powerful neighbor at a time when Guyana is planning the economic development of the interior and is increasingly concerned over the security of its borders with neighboring Surinam and Brazil.

2,3 The Venezuelans, for their part, rolled out the red carpet for the Guyanese visitors. Apparently as a result, Burnham extended by an extra day his "informal" visit that included four meetings with Perez, at two of which they were accompanied only by the Guyanese ambassador to Caracas. The Guyanese were reportedly highly satisfied with the mood established between the two chiefs of government. According to one official, Burnham can now simply pick up the telephone and call Perez on a minor request or problem, and relations with Venezuela are better than at any time since Guyana's independence. Shortly after his return to Georgetown, Burnham told his cabinet he now feels a climate has been created that will make agreements easier to reach. He also believes that Perez has clearly signalled he wants a definitive solution of the longstanding border problem.

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Burnham told Guyanese officials that he and Perez had agreed to appoint a joint committee to discuss outstanding differences, but had not specified the makeup of the committee nor set a timetable for it to begin its work.

The Venezuelans, as usual, appear to have gotten more than they gave. Aside from fortifying his position with third world countries, Perez obtained Guyana's support for essential elements of his foreign policy: defense of basic exports, SELA, producers organizations, and nationalization of the petroleum industry, without having to make any financial or economic commitments. 3 He did make a meaningless gesture, at no cost to himself, on the border dispute. Venezuela has previously used joint commissions to deal with border disputes with Colombia and the Netherlands Antilles without appreciable progress in reaching a mutually acceptable solution. Indeed, once their post-trip euphoria wears off, the Guyanese may realize they were conned by the Venezuelans and begin to question why Burnham made the trip at all. (CONFIDENTIAL)

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Uruguay: Promoting Togetherness

2, 3 President Bordaberry's visit to Chile during that nation's independence day observance was the capstone of his recent efforts to improve economic and political ties with like-minded governments in the southern cone.

3 Bordaberry had previously met with the chief executives of Bolivia, Paraguay, and Brazil, which like Uruguay and Chile have military-dominated governments with distinct anti-Marxist bents. He hopes to find allies to counter what he views as a world-wide Marxist campaign to discredit the staunchly anti-Communist regimes. Also, he sees an urgent need to upgrade the region's economic infrastructure, and he hopes to achieve that objective by creating a strong network of bilateral agreements. In recent months Bordaberry has signed accords with neighboring governments to promote trade, transportation systems, and inter-connecting hydroelectric projects.

1, 2 In Santiago, Bordaberry's call for cooperation found a particularly receptive and appreciative audience. Because both countries have been targets of Marxist propaganda, there is a feeling of kinship between them. Many officials in the Bordaberry government believe that if Chile had not borne the brunt of these attacks, Uruguay would have been the preferred victim. (CONFIDENTIAL)

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